

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

June 24, 2021

## Memorandum

**To:** Members, Committee on Financial Services  
**From:** FSC Majority Staff  
**Subject:** Tuesday, June 29, 2021, Subcommittee on Diversity and Inclusion Hearing entitled, “The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice.”

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The Subcommittee on Diversity and Inclusion will hold a hearing entitled “The Legacy of George Floyd: An Examination of Financial Services Industry Commitments to Economic and Racial Justice” on Tuesday, June 29, 2021, at 3:00 PM on Cisco Webex. There will be one panel with the following witnesses:

- **Fabrice Coles**, Vice President of Government Affairs, Bank Policy Institute
- **Donald Cravins, Jr.**, Executive Vice President and Chief Operating Officer, National Urban League
- **Darrick Hamilton**, Professor of Economics and Urban Policy, The New School
- **Jonay Foster Holkins**, Senior Director of Policy, Business Roundtable
- **Hassan Miah**, Chief Executive Officer, Paybby

### Background

After the killing of George Floyd and countless other incidents of racism and police brutality that led to the death of George Floyd and 163 other Black men and women from January through August of 2020, organizations across the financial services industry made pledges to invest in people and communities of color.<sup>1</sup> For instance, banks promised to support minority depository institutions and community development financial institutions, especially those that assist Black communities and provide down payment assistance to potential Black homeowners as a step towards closing the racial wealth gap.<sup>2</sup> This hearing will examine the extent to which banks, publicly traded companies, and others in the financial services industry have made good on their promises to Black communities and businesses, as well as steps those institutions have taken towards achieving sustainable racial equity within their organizations.

### How Corporate America and the Financial Services Industry Responded

In the immediate aftermath of the death of George Floyd, business leaders across multiple sectors of the US economy publicly avowed their support and commitment to social justice<sup>3</sup> through public

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<sup>1</sup> Li Cohen, ["Police in the U.S. killed 164 Black people in the first 8 months of 2020. These are their names."](#) CBS News (Sep. 10, 2020).

<sup>2</sup> Federal Deposit Insurance Corporation, ["Investing in the Future of Mission-Driven Banks"](#) (2020).

<sup>3</sup> Inti Pacheco and Stephanie Stamm, ["What CEOs Said About George Floyd's Death,"](#) Wall Street Journal (Jun. 5, 2020).

statements and donations “to anti-racism campaigns” such as the NAACP’s Legal Defense Fund, Equal Justice Initiative, and Live Free USA, among others.<sup>4</sup> While many of the corporation used “Black Lives Matter” throughout their messaging and campaigns, only a handful of corporations contributed to the Black Lives Matter organization.<sup>5</sup> Additionally, members of Business Roundtable, an association of chief executive officers of America’s largest companies, established an initiative called “Moving the Needle,” which investigated racial disparities in economic opportunities and dedicated time to developing policies and practices that advance racial equity and justice.<sup>6</sup> Pledges to learn and listen were widespread across multiple industries, with some companies even disclosing diversity data, publicly releasing their EEO-1 reports, and promising to do more to foster a more diverse and inclusive work environment. Many companies took stances on social media. For example, initialized by two music industry professionals, “Blackout Tuesday” was a day of action that flooded social media with images of black squares as a form of solidarity and protest against police brutality.<sup>7</sup>

Overall, banks and other financial service institutions pledged over \$33 billion, with most of it going towards mission-driven lenders, including minority-owned banks.<sup>8</sup> The most significant contributor, JP Morgan Chase, pledged to use \$8 billion for originating mortgages for African American and Hispanic households to create generational wealth opportunities.<sup>9</sup> Leaders in the financial world also made statements to standing up for racial equity and justice, agreeing to make amends with the community in the setbacks Black Americans face with economic disparities by dedicating funding to Black-owned businesses and promoting Black homeownership. “These initial investments will address access to jobs and support for small businesses by creating more pathways to employment in communities of color and more support for minority entrepreneurs,” said Brian Moynihan, CEO of Bank of America.<sup>10</sup> In addition, CEOs and other executives formed listening sessions and created forums in their companies that allowed employees to express their sentiments about George Floyd and other related injustices, offering an opportunity for discourse.

## **Progress One Year Out**

One year after many of these institutional pledges have been made, certain institutions and grassroots racial justice advocates have initiated projects to track investments and efforts to eliminate racial inequality.<sup>11</sup> As many of the corporate pledges are part of multi-year distribution plans, only a small percentage of capital has been disbursed as of this year. According to a study by Creative Investment Research, “American companies pledged \$50 billion toward racial equity following Floyd’s murder,” but to date, “only \$250 million has actually been spent or committed to a specific initiative.”<sup>12</sup> Initiatives like Just Capital’s racial equity tracker and the Corporate Call to Action

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<sup>4</sup>Isabel Togoh, "[Corporate Donations Tracker: Here Are the Companies Giving Millions to Anti-Racism-Efforts](#)," Forbes (Jun. 1, 2020).

<sup>5</sup> Id.

<sup>6</sup> Business Roundtable, "[Advancing Racial Equity and Justice](#)," Business Roundtable (accessed Jun. 15, 2021).

<sup>7</sup> Joe Coscarelli, “#BlackoutTuesday: A Music Industry Protest Becomes a Social Media Moment,” The New York Times (Jun. 4, 2020).

<sup>8</sup> Federal Deposit Insurance Corporation, "[Investing in the Future of Mission-Driven Banks](#)" (2020).

<sup>9</sup> JP Morgan & Chase, "[Impact: Our Path Forward – A \\$30 Billion commitment to advance racial equity](#)," JP Morgan & Chase (accessed Jun. 15, 2021).

<sup>10</sup> Jessica Oppenheim, "[Bank of America Directs \\$300 Million of Its \\$1 Billion, Four-Year Commitment to Advance Racial Equality and Economic Opportunity](#)," Bank of America (Sept. 8, 2021).

<sup>11</sup> William Michael Cunningham, "[BLACK LIVES MATTER: CORPORATE AMERICA HAS PLEDGED \\$1.678 BILLION SO FAR](#)," *Black Enterprise* (Jun. 10, 2020).

<sup>12</sup> Marco Quiroz Gutierrez, "[American companies pledged \\$50 billion to Black communities. Most of it hasn’t materialized](#)," *Fortune* (May 6, 2021).

organized by the Ford Foundation and the Connecticut Office of the Treasurer have started to score organizations on improvements on other diversity metrics, such as workforce representation, pay equity, and diversity policies.<sup>13</sup> Connecticut State Treasurer Shawn Wooden mentioned in an interview that responses from Wall Street needed to be more substantive. “It had to be more than just a moment of nice statements, quite frankly,” Wooden said. “It had to be a real commitment ... where the work would last beyond more than the moment. And we wanted to be able to measure the results.”<sup>14</sup>

This year, companies faced increasing demands from shareholders for accountability regarding “pay, hiring, retention, and promotion by race and gender, and their investors want to know if diversity initiatives are actually working.”<sup>15</sup> In February 2021, New York State Comptroller Thomas P. DiNapoli and the New York State Common Retirement Fund (Fund) joined these efforts and launched an initiative to hold publicly traded corporations and their top executives accountable for their diversity, equity, and inclusion policies and practices, including shareholder proposals calling for racial equity audits, increased workforce representation disclosures, and board disclosures of their portfolio companies. According to the National Committee for Responsible Philanthropy, “a racial equity audit can be a powerful leadership tool to uncover, recognize and change inequities that are internal” to an institution.<sup>16</sup> Nevertheless, one year following the death of George Floyd, Citigroup, Wells Fargo, Bank of America, Goldman Sachs, and JP Morgan urged shareholders to reject racial-equity resolutions, despite expressing solidarity with the Black Lives Matter movement last year.<sup>17</sup>

### **Beyond Pledges: Advancing Racial Equity from Within**

While statements of support and pledges towards racial equity are the first step towards advancing racial justice, civil rights advocates and academics assert that it takes more to tackle racial inequality in the United States. Senior leaders in America's largest banks have also spoken up, saying that “charitable giving and statements alone do not begin to get to the systemic racism.”<sup>18</sup> A Brookings Institute report estimates that closing the wealth gap between Black and White households would require \$10.14 trillion.<sup>19</sup> According to New School professor and economist Darrick Hamilton, “Until the United States confronts the deep, structural reason that African Americans have been left vulnerable to a wide array of assaults — there can be no justice and no peace. That structural problem is the racial wealth gap.”<sup>20</sup>

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<sup>13</sup> See Just Capital, ["The Corporate Racial Equity Tracker,"](#) accessed Jun. 16, 2020 and Corporate Call to Action, ["Our Story"](#) (accessed Jun.16, 2020).

<sup>14</sup> Levi Sumagaysay, [“A state treasurer convinced big banks to commit billions of dollars to tackle racial inequities. This is the result.”](#) *Market Watch* (May 18, 2021).

<sup>15</sup> Pippa Stevens, ["Companies are making bold promises about greater diversity, but there’s a long way to go,"](#) CNBC News (Jun. 11, 2020).

<sup>16</sup> Leticia Alcantar, ["Why a racial equity audit might make sense for your foundation,"](#) National Committee for Responsive Philanthropy (Jan. 3, 2017).

<sup>17</sup> Levi Sumagaysay, ["Citigroup, Wells Fargo, Bank of America, Goldman Sachs, JP Morgan urge shareholders to vote against racial-equity audits,"](#) *Market Watch* (Mar. 17, 2021).

<sup>18</sup> Kevin Stankiewicz, ["CEOs are offering plans and investments to address racial inequality after George Floyd death,"](#) *CNBC* (Jun. 11, 2020).

<sup>19</sup> Vanessa Williamson, ["Closing the racial wealth gap requires heavy, progressive taxation of wealth,"](#) *Brookings* (Dec. 9, 2020).

<sup>20</sup> Lynn Stuart Parramore, ["Black Americans' wealth gap ties together the George Floyd protests and coronavirus,"](#) *NBC News* (Jun. 30, 2020).

Black business leaders have also called on corporate America to be more affirmative in their practices of diversifying boards and senior leadership.<sup>21</sup> Representation of Black leadership in corporate America has grown but only incrementally over the past year. According to a report by CNN, “nearly two-thirds of the nation’s 3,000 largest publicly traded companies lack a Black board member...[and] less than 2% of top executives at the nation’s 50 largest companies are Black” in 2021.<sup>22</sup> As former Xerox CEO Ursula Burns, the first black female CEO of a Fortune 500 company, has stated: “[b]usinesses leaders have to start to lead. What has happened in the past, they’ve trailed.”<sup>23</sup> According to the Society for Human Resource Management, effective recruitment and engagement of diverse board candidates not only requires transparency in demographic data but holding management accountable for specific objectives around recruitment, retention, and promotion of diverse talent.<sup>24</sup> The National Community Reinvestment Coalition suggests that for banks to improve diversity in representation within their workforce and leadership, their diversity framework must include collecting racial and ethnic demographic data and publish racial and ethnic representation goals.<sup>25</sup> The House Financial Services Committee previously considered legislation that would require issuers registered to the Securities and exchange information to disclose the demographic composition of boards of directors as well as legislation that would require regulated entities of the federal financial institutions to submit diversity data, practices, and policies.<sup>26</sup>

## **Legislation**

This hearing will consider the following legislation:

**H.R. \_\_**, *to amend the Securities Exchange Act of 1934 to require covered issuers to carry out a racial equity audit every 2 years, and for other purposes*. This bill would require public companies to conduct an independent audit assessing the issuer’s policies and practices on civil rights, equity, diversity, and inclusion; how such policies and practices affect the issuer’s business; and whether the issuer had direct or indirect ties to or profited from the institution of slavery. Issuers must report assessment findings through in its filings and on the company website. To the extent that these institutions did have ties to or benefit from slavery, they would be required to disclose what steps they have taken to reconcile. Additionally, the bill establishes the Offices of Reparations Programs within the Department of the Treasury Office of Reparations Programs to administer programs related to down payment assistance, homeownership, startup capital, and funded savings programs for Black communities, as well other programs determined appropriate by the Secretary in furtherance of racial equity.

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<sup>21</sup> Kevin Stankiewicz, ["CEOs are offering plans and investments to address racial inequality after George Floyd death,"](#) *CNBC* (Jun. 11, 2020).

<sup>22</sup> Jessica Guynn, ["Corporations vowed to fight racism after George Floyd, but many still don't have a single Black board member,"](#) *USA Today* (Mar. 15, 2021).

<sup>23</sup> Kevin Stankiewicz, ["CEOs are offering plans and investments to address racial inequality after George Floyd death,"](#) *CNBC* (Jun. 11, 2020).

<sup>24</sup> Society for Human Resource Management, ["6 Steps for Building an Inclusive Workplace"](#) (Mar. 19, 2018).

<sup>25</sup> National Community Reinvestment Coalition, ["Racial and Ethnic Representation and Investment Framework"](#) (accessed Jun. 16, 2021).

<sup>26</sup> House Financial Services Committee, ["Hybrid Markup - FY2022 Budget Views and Estimates; H.R. 1087; H.R. 1187; H.R. 1277; H.R. 2123; H.R. 2516; H.R. 2543; H.R. 2547; H.R. 2553; Resolution to establish the Task Force on Artificial Intelligence & Resolution to establish the Task Force on Financial Technology"\\*](#) (Apr. 20, 2021).